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Energy Cooperation between Russia and China

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Abstract: *An essential component of the "economic and strategic partnership" between Russia and China is "trade" and collaboration in the "energy" sector. Energy cooperation between the two countries is primarily focused on the production of electricity, natural gas, and nuclear power. Their economic needs are met through cooperation in the oil and gas industry. Russian businesses are eager to expand into new markets and gain access to the countries of the Asia-Pacific region through China. China, on the other hand, is primarily focused on obtaining a reliable and long-term channel for supplies of crude oil, which is strategically significant.*

Keywords: *Russia, China, Irkutsk, Angarsk-Daqing Oil Pipeline.*

1. INTRODUCTION :

An essential component of the "economic and strategic partnership" between Russia and China is "trade" and collaboration in the "energy" sector. In actuality, Russia's enormous "energy reserves and the high prices of oil and gas" have been a major contributor to the country's recent economic success.[1] Energy cooperation between Russia and China is primarily focused on the production of electricity, natural gas, and nuclear power. China, one of the world's largest oil importers with imports of 71.84 million tonnes in 2002, has an ever-increasing demand for raw hydrocarbons.[2] In 2002, Russia exported to China three million tonnes of crude oil, mainly by rail.[3] Russia is currently the second-largest "oil exporter to China" and offers oil to the latter at prices cheaper than those of West Asia.[4]

In mid-1990's, there were discussions about the possibility of large-scale Russian oil and natural gas shipments to China. Three major joint oil and gas projects were planned. These included two natural gas projects as well as the oil pipeline between Russia and China, having a 30 million tonne capacity annually: a pipeline from Irkutsk Region's Kovytka gas fields to Northeast China, with an outlet to the Republic of Korea; and the shipping of Russian gas from the Chayanda field, in the Sakha Republic (Yakutia),[5] to Northeast China.[6] The China National Petroleum Company expressed a desire to have a licence to develop the Chayanda gas deposits in Yakutia.[7] The problem was that China only produced 20 billion cubic metres of gas year, but by the early 2020's, it was expected to require 140 billion. The joint development of the Kovykta resources in the Irkutsk Region alone made it possible to yearly provide China with roughly as much gas as the country produced.[8]

2. Kovytka Gas Pipeline

An agreement to provide China with gas from the largest Russian field, Kovykta, was struck by Russia and China in the second week of November 2003.[9] An international feasibility study of the project estimated that beginning in 2008, "the gas field" supplied "20 billion cubic metres" of gas "to China" and the remaining amount to the Irkutsk region (4 billion cubic metres).[10] It cost US$17 billion to carry out the project, and a pipeline as long as 4,887 kilometres built through Irkutsk, Manchuria, Shenyang, Dalian, and Korea. In order to take advantage of the opportunity to purchase gas at a lower price as a stakeholder, China willing shared the costs, and it did so in the expectation that its partner would be successful in purchasing Interros's 25 per cent ownership in RUSIA Petroleum, the project operator.[11]

3. Angarsk-Daqing Oil Pipeline

The Angarsk-Daqing Oil Pipeline was also the focus of the two countries' joint efforts.[12] For many years, feasibility studies had been conducted. Yukos, a Russian independent oil producer, first suggested a Russo-Chinese oil pipeline proposal in November 1994. On July 17, 2001, at the sixth regular meeting of prime ministers, Russia and

China agreed to build "an oil pipeline that would run from Angarsk in northeastern Russia to Daqing in that region of China." The pipeline would have a length of around 2,400 km, with 800 km in China.[13] Both parties decided to expedite the approval procedure in order to start the project's design during the seventh regular meeting in 2002. According to the agreement, the project was supposed to commence construction in 2003 and start supplying oil to China in 2005.[14] Angarsk-Daqing Oil Pipeline Company and China National Petroleum Corporation signed a general agreement on May 28, 2003, outlining the fundamental concepts and expectations of a long-term contract for oil supply to China.[15] Following completion, the pipeline was expected to provide 20 million tonnes of oil annually between 2005 and 2010,[16] and 30 million tonnes annually after that.[17] In accordance with the agreement, 25 years after the Angarsk-Daqing pipeline's completion, China would receive 700 million tonnes of oil from the Russia-China pipeline valued at US$150 billion. The Russian side predicted that the project's completion would result in an increase in bilateral commerce by US$10 billion per year.[18]

On July 4, 2002, executives from the Royal Dutch Shell Group, Exxon Mobil, and the Russian Gazprom concern gathered in Beijing for a ceremony to officially launch the West-East trans-Chinese gas pipeline's construction. After the meeting, the parties agreed on a contract under which each of the three businesses received a 15 per cent share in the development of the gas pipeline.[19]

On December 1-3, 2002, Russian President Vladimir Putin visited China. The two countries felt it was important to secure the prompt execution of existing accords about the Russo-Chinese "oil and gas pipelines" as well as to manage the completion of promising power engineering projects in order to assure long-term and reliable oil and gas deliveries.[20]

4. Disagreement

At the end of 2002, a disagreement in Russia erupted over whether to construct the shorter Angarsk-Daqing line or the longer Angarsk-Nakhodka line,[21] which was offered by Japan and would circumvent China and extend to Russia's Far East port of Nakhodka.[22] Russia, nevertheless, wanted to continue its energy "cooperation with China in order to uphold and strengthen their bilateral strategic relations."

According to a plan put up by Russian Prime Minister Mikhail Kasyanov in March 2003, the Angarsk-Daqing pipeline would be a branch of the Angarsk-Nakhodka project. He emphasised that the pipeline between Angarsk and Daqing should be the first to start running. On April 29, 2003, Kasyanov announced that because the area's certified oil reserves could only support Daqing, Russia would build the Angarsk-Daqing pipeline first and put off building the Angarsk-Nakhodka pipeline until it could ensure the project's oil supply.[23]

Putin's cabinet met on June 30, 2003, and one of the main topics discussed was the pipeline for transporting oil from the Far East. The meeting's outcome revealed that Russia was inclined to build a "dual pipeline", initially building a branch to China before building the main line to Nakhodka.[24]

Kasyanov, while visiting China on September 22–25, 2003, pledged to enhance crude oil shipments to China by rail up to 5.5 million tonnes in 2005.[25] "The volume of trade between Russia and China" was anticipated to increase with these initiatives, reaching $40–50 billion in 10–15 years.

The Angarsk-Daqing pipeline was designed to cross Russia's Siberian nature reserve and traditional cemetery preservation zone. However, the Russian Ministry of Natural Resources unexpectedly highlighted several environmental issues against the pipeline towards the end of July 2003, demonstrating the country's ambivalent stance towards its Far East pipeline project.[26]

5. Recent Developments

In order to supply its oil "to China as well as other countries," Russia decided to construct "the East Siberia-Pacific Ocean (ESPO) oil pipeline with a branch to Daqing in China" in 2006. Though construction on the "pipeline" did not start until 2009, when the "China Development Bank" gave the Russian firms "Rosneft and Transneft $25 billion in soft loans at a sub-market interest rate of 5.7 percent" as part of what can be described as a "oil for loans" deal.[27] In addition to enabling them to undertake "strategic investments" in both "short- and long-term projects," these loans assisted "Rosneft and Transneft" in overcoming the "financial" challenges they had been experiencing as a result of the decline "in oil prices" brought on by "the global financial crisis".[28] In return for these debts, Russia undertook to supply China with "15 million tonnes of oil" every year "for 20 years."[29] In January 2011, the pipeline's Chinese segment started to function. Development of the pipeline's second phase "from Skorovodino to the Pacific port at Kozmino Bay" close to "Nakhodka in the Far East" began in January 2010, and started functioning in December 2012.[30]

The Chinese President Xi Jinping visited Russia in March 2013, and the two governments came to an agreement that required "Rosneft" to increase its oil supplies to China "from 15 million tonnes per day to 45-50 million tonnes per day by 2018."[31] Gazprom (Russian gas company) signed a contract with its Chinese counterpart and agreed to supply

"38 billion cubic metres of gas to China" annually for 30 years, with effect from 2018. It was predicted to rise to "60 billion cubic metres".[32]

In May 2014, China and Russia concluded a "$400 billion, 30-year natural gas agreement." According to this agreement, Russia was required to supply "38 billion cubic metres of gas to China" each year from its Far East.[33]

Russia and China signed memorandums of understanding on energy in December 2012, including ones on "electricity supply," a strategy for coal industry collaboration, and an review of the "energy market". They also decided to start working together on "oil and gas" projects using "the upstream and downstream integration" approach, increase "trade in coal and power," conduct "research on energy" storage, and support "renewable energy" sources.[34]

With one-fifth of the world's coal "reserves and the second-largest coal reserves" behind "the United States",[35] Russia is well positioned to meet China's need for coal.[36] A $6 billion "coal for loans" deal was reached in September 2010 by Russia and China to finance "Russian infrastructure and equipment" developments in "Eastern Siberia and the Russian Far East." According to the provisions of the contract, Russia was expected to provide China with "15 million tonnes of coal" per year up until 2015 and subsequently "20 million until 2035."[37]

Additionally, China has been receiving Russian electricity also. Its import in China has rapidly increased, going "from 0.3 billion kWh in 2004 to 1.3 billion kWh in 2012."[38]

6. CONCLUSION :

Russia and China are strategic allies, therefore collaboration between them makes sense. Russia, naturally, spurned Japan's enticing offer of cash and technology in favour of the Angarsk-Daqing pipeline it had promised China. When the United States started to participate in the race for oil, Russia's oil became overnight very popular. In reality, this could be interpreted as a symptom of an intensifying oil diplomacy in Northeast Asia including the United States, Japan, China, and Russia.

Russia and China's economic needs are met through cooperation in the oil and gas industry. Russian businesses are eager to expand into new markets and gain access to the countries of the Asia-Pacific region through China. China, on the other hand, is primarily focused on obtaining a reliable and long-term channel for supplies of crude oil, which is strategically significant. China has put its faith in its northern neighbour since it is aware of Russia's substantial oil reserves and its plan of increasing oil exports. Both countries cannot afford to disagree on energy policy.

Putting large-scale, long-term initiatives into action necessitates not only the mobilisation of significant financial and other resources, but also the meticulous evaluation of a wide range of issues, such as the economic effectiveness of exports, the internal needs of the region of Siberia and the Far East, the ecological challenges, and so on.

In terms of bilateral trade and economic cooperation, the increasing proportion of such elements as oil and gas could result in Russia's export structure taking on a distinctly monocultural character given the obvious growth in the volume of trade turnover.

Yevgeny Verlin offered a different interpretation of the situation when he claimed that the current stage is distinct in that Russia has a very small range of options for establishing economic relationships with China. If the Russian economy had been different and had not relied so much on the supply of weapons, raw materials, and energy resources to China, it might have turned out quite differently. As things are, Russia's economic reliance on China is growing.[39]

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